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AUTHOR Rieley, James B.
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ABSTRACT

This paper presents the issues relating to, the rationale, and the methodology for the implementation of a process-based organizational structure. Following an overview of leadership theory and traditional organizational structure, a model of the circular organization is presented. In the circular organization, the leader occupies a middle, rather than head position. The organizational structure is comprised of a nucleus with interconnecting processes, such as management and planning, marketing, assessment, organizational support, and production. The circular organization is characterized by a leader who provides vision, not control; open communication; and a structure based on organizational processes, not systems. Such a structure promotes a multidirectional flow of information, teamwork, and "win-win" situations. In conclusion, a circular organizational structure that is based on organizational processes can create an environment in which leadership can be truly effective. Organizations with circular process-based structures can achieve gains through the high level of interconnectivity. Eight figures are included. (LMI)

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How to Optimize Organizational Effectiveness Through Leadership: The Case for a Process-Based Organization

This presentation has been developed to present the issues relating to, the rationale, and the methodology for the implementation of an organizational structure that is based on process.

James B. Rieley

November 20, 1992

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How to Optimize Organizational Effectiveness Through Leadership: The Case for a Process-Based Organization

James B. Rieley
The Center for Continuous Quality Improvement

Of all the issues facing organizations today, none are more threatening than the lack of effective leadership to achieve organizational effectiveness. Defined in most quarters as how an organization does at fulfilling its mission, organizational effectiveness will continue to be the driving force in business and education as we move towards the year 2000. In an environment that includes shrinking resource availability, increased competition, and increased regulatory demands; organizational effectiveness will be the key to survival for organizations of all types. Organizational effectiveness does not happen through luck. It requires an environment that encourages and nourishes it; this is done through effective leadership.

To examine how we achieve this leadership, we must first look to a process definition of the term leadership. Leadership is defined by John Gardner as, "the process of persuasion and example by which an individual induces a group to take action that is in accord with the leader's purposes or shared purposes of all." Edelman refers to leadership as "a set of traits or behaviors which contribute substantially to organizational success or failure." Savage states that effective leadership is how we "empower, energize, and enable one another."

The immediate definition, however, needs further clarification. Leadership should not be confused with control or authority. Control is the power over an organization that is used to govern it; authority is legitimized power, a mandate to exercise the control. Control, although necessary to govern, should not be deemed to be the goal of leadership. One can have control and authority over an organization, but that clearly does not mean that he or she is a leader. In reality, those who covet control and authority usually have characteristics that are opposite of those of a leader. Leaders help others to look to the future in a holistic manner. They help the rest of the organization to motivate and grow. Leaders create the opportunities for the future of the organization.

People can distinguish the difference between true leaders and those who manage through the utilization of control in a given environment. This difference can be determined through

visible signals of management styles that the man or woman exhibit. These signals set the tone for others in the organization to emulate. This can obviously be good and/or bad.

Leaders can make a difference not only what they do, but in how they appear (Bolman & Deal , 1984). The behaviors of senior leaders can be in large part, attributed to the behaviors of lower level leaders and managers. This is due to the fact that we, through our actions and signals, contribute to the environment in which we work.*(see figure 1)*. A leader who exhibits leadership characteristics that are not supportive of a continuous improvement-empowered environment cannot be solely held responsible for the outcomes of that management style.

control signals	leadership signals
think for today	*think long term*
look at their immediate environment	*look at global environment*
manage their constituency	*influence global constituencies*
only see the immediate	*heavy emphasis on vision*
occupied with "fire-control"	*planning for the future*
belief in systems	*understanding of process*
top-down management	*organizational decisions*
"do as I say"	*encourages motivation*
believes in control	*works as part of a team*

figure 1

These signals reflect the 1939 study by Lewin, Lippitt, and White on leadership styles. They found that "autocratic leadership produced substantial discontent and either dependent apathy or rebellious hostility." While "democratic leadership was strongly preferred ... and produced a much more positive group climate."

There are many situations in which the senior manager of an organization truly believes that he or she is exhibiting effective leadership characteristics when in reality, the opposite is the case. This is typical of a manager who is highly insulated from the organization, a manager who has surrounded themselves with other levels of management who are there in an acquiescent role. This is clearly not good for an organization. Management must be in touch with the reality of his or her environment. It is the responsibility of other levels of management in an

organization who wish to see the environment improve to work with ineffective managers to help them improve their leadership skills. If this does not happen, if other levels of management do not help senior managers to improve, then the organization will be in a situation similar to that of a dysfunctional family; ie: aberrant behaviors that are not modified.

For a leader to contribute to the effectiveness of the organization, he or she must exhibit certain characteristics. These characteristics will set the tone for the entire organization. They will be the key to the ability to motivate the employees, and they will help determine the success of the endeavor. First of these characteristics is the ability to see the future. If the leader cannot see into the future, see the vision for the future or the organization, there will be no way for the balance of the organizational population to move forward together.

Vision

The process of effective leadership begins with the communication of a vision of what the organization could look like in the future. Very clearly, the development of the vision is an indicator of the leadership environment. The development of this vision can sometimes be a difficult function, for in many organizations, there is much confusion as to who should be the one to develop it. Although traditionally the responsibility of the CEO or President, vision development is clearly more effective if it is done as a collaborative effort. The senior executive should put forth the vision as he or she sees it; this should then be refined and articulated by a cross-sectional input group. In many organizations, the input group has trouble with this. The development of the vision should be seen as an opportunity to help set the direction for the future of the entire organization.

The vision, explained in process terms, should be a statement of the future condition, how the organization will look in the future. The vision of an organization should be something for the organization to strive for. A method of how to help in the development of the vision would be to ask the input group to envision the organization five years from now. An example would be, your institution or company has just won the most prestigious award in its field. When the CEO or President of the organization accepts the award in front of the entire organizational population, he or she would undoubtedly read the statement that appears on the plaque. The plaque would read, "To the XYZ Organization, for achieving ..." The statement on the plaque could be the vision for the future success of the organization, for excellence in the organization's field of endeavor.

The steps in the development of this statement would include assembling a cross-sectional input group; explaining the concept of the award premise; brainstorming the potential verbiage on the award; using quality management and planning tools to solidify the statement; and reaching consensus. This method of vision development gives everyone on the input team equal input as to the actual vision that would reflect the future condition of the organization.

Understanding of Process

Everything in life has a process, in fact life itself is a process. In a recent presentation, Peter Senge made the analogy of process and change. Senge asked if anyone in the group knew what the life of an average human cell was. Some cells, the group was told, live for only three or four months, while others live for several years. Not science-fiction but fact Senge went on, is the reality that we are not the people we used to be. Cute, but true. We are not things, but processes in action. To understand who we are, we must look at the process that is happening in front of our eyes. This is true for organizations as well.

For an organization to be truly effective, it must cease to look just at what it is and what it does. It must look to <u>how</u> it does whatever it does. This is a focus on process, not systems. Process thinking is the way to address the complex issues facing organizations today. Many years ago, Albert Einstein said, "the significant problems we have cannot be solved at the same level of thinking at which they were created." This statement certainly has relevance today. People view systems as things. We must begin to realize that looking at things restricts our ability to solve problems. Process thinking lets us look into how things are done, and if we are able to see how things are done, we can discover ways to improve them, and thus improve the system. We must cease looking at the output, but instead look to the process that results in the output.

Organizational Structure

Traditional management in this country is top-down. It is control based. It is in need of repair. We seem to believe that management in America is smarter than anyone else in the organization. This apparently stems from the early entrepreneurial leaders of business. They probably were not any smarter than anyone else; they just had well defined ideas on how to build a business and how to make it work. And work it did. This was a lesson-learned by other organizations. Manage from the top with control and direction and you can be successful was what we were told. This style of management has lasted for over 100 years in America, and it did work. However that was then, when we were the competition and our customers would respond without question.

Traditional organizational structures have supported the concept of the leader as the brain of the organization. This concept is a direct result of some of the work by Frederick Taylor. One of the main premises of Taylor's work is that the "problem with inefficiency is a problem for management, not the worker." This premise has reinforced the leader-as-brain management concept.

With the head of the organization visibly at the top of the organizational chart, this visually reinforces the image of the leader as the singular key person in the organization. In most cases, this is the Board, followed closely by the President or CEO. A manager who believes in the traditional "control" method of management believes that he or she should lead by instruction, by command. These people tell others what to do, when to do it, and how to get it done. More times than not, these managers have difficulty even following their own advice or instructions; for example, a manager who speaks of effective leadership but does not practice process thinking, teamwork, or motivation, indicators of leadership. This is symptomatic of organizations that do not "walk the talk."

The senior management of the organization, the highest horizontal layer on the line chart, has been the traditional group of the people to have on an executive committee. Unfortunately, the choice of executive committee members based on position or control on the organizational chart rarely has much to do with the actual functions of the organization. Choosing executive committee members by position only tends to reinforce the power through control.

Managers have, for years, been managing by the concept of descending vertical information dissemination. Descending vertical information dissemination is a key to traditional control; it is a style of management that has become known as MBO. Management by objectives has proved to not be an effective management style. Evidence of this is the current global competitive environment that we are in. We have used MBO; the Japanese have modified it into a process of management that works through goal setting based on facts and cross-sectional, multi-directional input. The fact that the Japanese are winning the competitive battle on almost every front, manufacturing, service, and education, should be a lesson learned.

The comparison of the traditional organizational structure and the natural law cannot be avoided. Top-down is a management style that believes that the person at the top of an organization chart is the head of the organization. In nature, the head of a person contains the brain, and the brain is the part of body that tells the rest of the body what to do and when

to do it. The brain is clearly a very important part of the body, it controls one of the eight critical processes that make the body function; the nervous system.
The similarities between the human body and traditional organizational structures are unmistakable in appearance.(*see figures 2)*

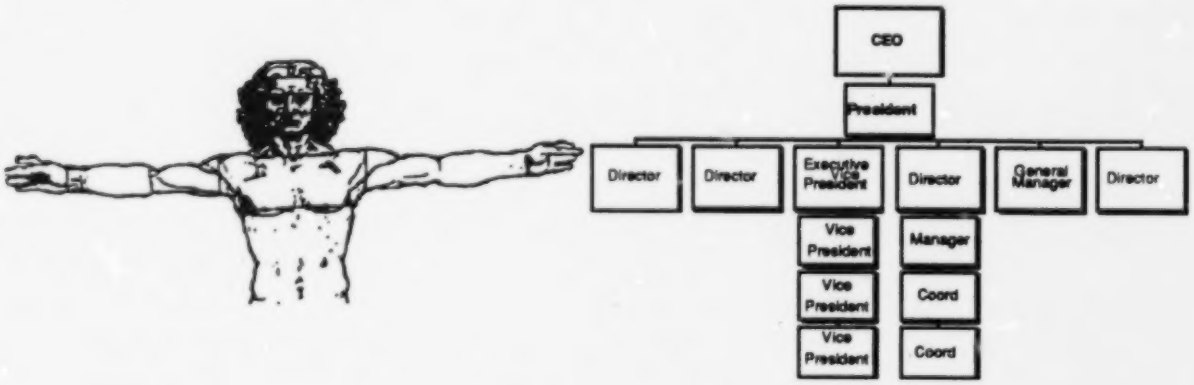

figure 2

The head of the body is akin to the uppermost position on an organizational chart. It is the part that sends the signals to the rest of the body/organization that determine what it should or should not do.(*see figure 3*) It controls the environment in which the body/organization functions, as well as setting the direction for the body/organization to follow.

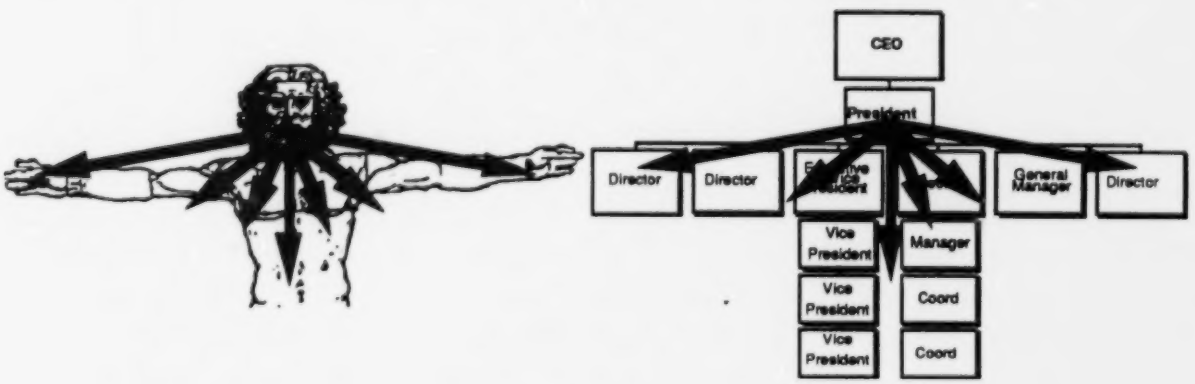

figure 3

Organizations who are structured so the head of the organization is graphically situated on the top of the organization traditionally have leadership who interpret their role as one of teacher.

The times have changed, and with them so must leadership styles in this country if we are to be able to compete. We must develop leaders who are not the teachers, but leaders who instead facilitate learning for the organization. This is a process in which the leader facilitates learning to the organizational population, who are then able to facilitate learning to others. This is a continuous loop system of teacher/learner/teacher/learner. (*see figure 4*)

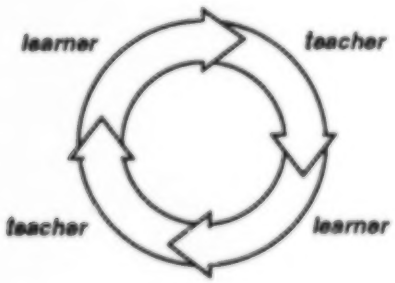

figure 4

We need leaders who understand that the key to organizational success is the ability for everyone in the organization to be able to work together to accomplish common goals. This means that the leader must set the tone for the organization by creating an environment that encourages involvement in the decision process. This cannot be done if there is confusion as to where the organization is going. The issue of where the organization is going can be visibly demonstrated by the way the organization is structured, where the leadership is located. This theory follows the work of Argyris, Bennis, Blake, and Mouton, and Beckhard. They believe that top management must display active support and commitment to the organization if the organization is to buy-in to the long-term vision. Argyris, Bennis, Blake, and Morton, and Beckhard worked in three areas; top-down, middle-outward, and bottom-up organizational plans. All three concepts however assume a linear environment and a linear organizational flow. I believe that organizations need not be linear, and clearly do not need to reflect a linear organizational flow. Organizations need not reflect a central authority control. Organizations do not need a brain, they need a heart. A leader who is the heart of an organization must develop an organizational structure that demonstrates this concept.

Circular Organizations

A new organizational chart must be developed that clearly and visually reflects the concept of leader as the heart of an organization. The concept of the leader as the heart of the organization would reflect nature, because the heart of the human body is the organ that provides life to the rest of the body. The leader of a circular organization would be the one to

set the tone, be the soul, the heart of the organization; he or she would provide the life for the organization. If an organization is structured with the leader as the heart, it has the potential to expand the brain function to the entire organization creating a synergy of knowledge (*see figure 5*). This process of collective thinking creates an unlimited potential for the entire organization to be able to move forward towards the vision and attainment of the mission.

figure 5

A chart that reflects this concept would be circular in design, with the leader in the middle, in the position of the heart. (*see figure 6*) A circular organization chart design does two things. It gives the organization the ability to visually focus on the importance of process in the attainment of the mission, and sets forth a management style which allows and encourages input into the management process through the visual innerconnectivity of the chart.

figure 6

How does a circular organizational structure function?, how would it look? The President or CEO would be the core or nucleus of the form, for that is the place for the leader. The next circle or circles would be the next component of management. In the new form, these circles

would be representative of the processes that the organization uses to meet the needs of its customers. Some organizations would have several, some would like to think that they have hundreds. The processes that we suggest to use are those that are critical to the achievement of the mission of the organization. This would suggest no more than eight. The processes might include, as in the example in figure 4, Management and Planning, Marketing, Assessment, Organizational Support, and Production. Inherent with the last process of Production is Evaluation. The organization in the example believed that this function would be conducted by the Management and Planning function. Thus, the process cycle returns to the beginning after completion, reinforcing the concept of Plan-Do-Check-Act. While the determination of which processes are critical seems like an overwhelming challenge, in actuality, the decision would be made through consensus by a cross-organizational group using process improvement tools.

The circles would be arranged in process order, and would be visually interlinked to each other and to the core elements. This is important because the visual imagery created by the circular chart needs to properly reflect the inherconnectivity of the processes of the organization to each other, and to the core leadership of the organization.

The next level of the organizational chart becomes easier to determine. Through a process known as level expansion, the next level is a micro view of each process in the whole; the elements that make up each macro process. (*see figure 7*) The chart becomes more finite only when there are elements or processes that comprise other processes. (*see figure 8*)

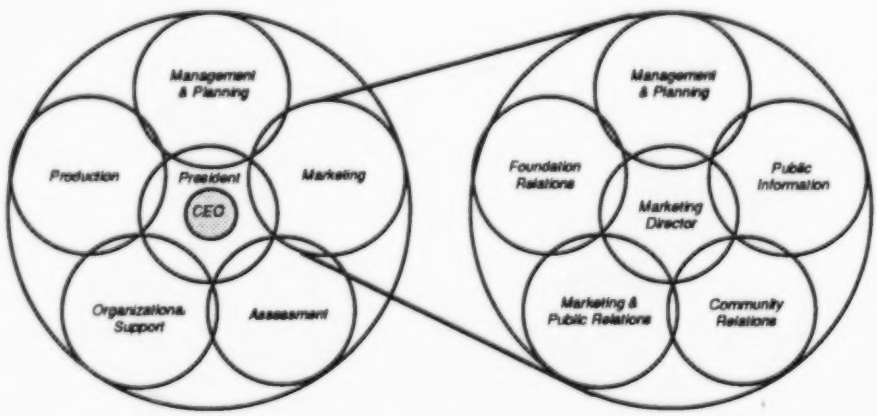

figure 7

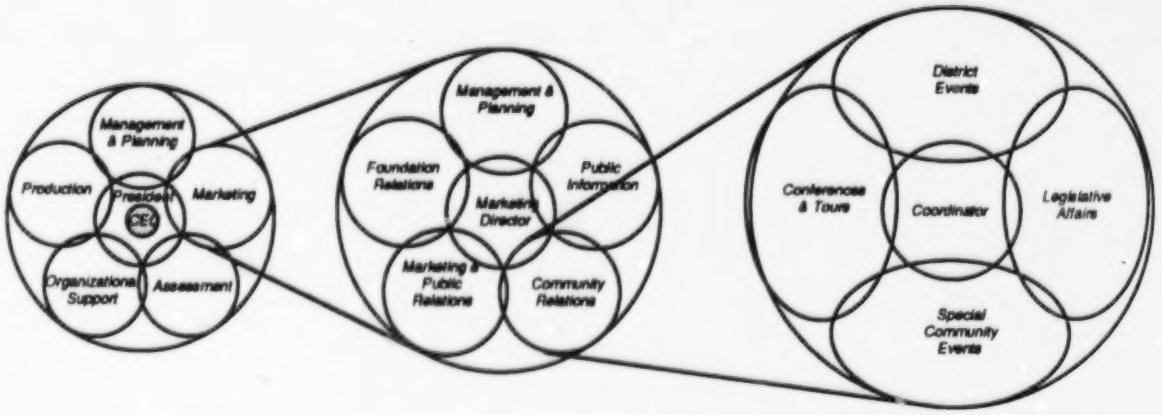

figure 8

Each subsequent expansion level is either a process expansion or a element expansion, with the final expansion in each area being one of process. Figure 8 is a 3rd level expansion of the elements that comprise the community relations function of the process of marketing in the macro chart. The next, 4th level expansion would be a detail of the processes that are used to fulfill each of the 3rd level elements.

Functionalization of a Circular Organization

A circular organizational chart based on process is an extension of the continuous improvement concept. Whether the concept is based on John Dewey's *Discover-Invent-Produce-Observe*, Walter Shewhart's *Plan-Do-Check-Act*, or W. Edwards Deming's *Plan-Do-Study-Act*; the concept is the same. Everything we do is a continuous process.

Control of a circular organization that has its structure based on processes is achieved through the shared vision of the whole. The basis of shared vision cannot be over-emphasized. Without a shared vision, the ability for the organization to move forward will be nil. The advantages of a circular organizational structure become quite apparent in the area of communication. Communication becomes unlimited with a structure where each process is inter-connected to the others. Unlike the traditional line structure in which communication is channeled through control functions, the circular structure gives the organization the ability to achieve a transference of communication based on process need.

An organizational structure that is circular, with circular process-based elements that are interlinked visibly shows the potential for open communications and a multi-directional flow of information in a process known as catch-ball. This visibility sends a signal to the entire

organization that promotes working in teams. The traditional organizational structure as represented in a line chart sends the signal of top-down knowledge and control.

The rationale for an organizational structure that is not linear can be found in nature. The world we live in is not linear, it is a dynamic flow that is based in process. The circular shape of an organization would reflect this process flow. It would send a signal that the organization would function based on processes, not on the control of a high level authority. In an organization that is based on process, an environment is created that is "win-win", for it becomes an organization that is able to clearly focus on the processes used to meet the needs of the customers. This is advantage in any market.

Key Points of a Circular Organization

- The leader of the organization is the heart and soul of the organization providing the leadership, not just telling the organization what to do.
- Communications throughout the organization are open and unrestricted, encouraging teamwork and cooperation.
- The structure is based on the processes of the organization, not the systems. This would promote the belief in process improvement.
- Circular organizational structure follows natural law.
- Traditional middle-management levels of the organization are found in replications of the macro organizational circle.
- Circular structure is more conducive towards the organization working as a team, and is a visible symbol of the innerconnectivity of the organization.
- Natural organizational structure promotes catch-ball.
- A circular organization has high potential for the establishment of win-win situations.

Conclusion

At the beginning of this presentation, I stated that, "Of all the issues facing organizations today, none are more threatening than the lack of effective leadership to achieve organizational effectiveness." A circular organizational structure, based on organizational processes, can create an environment in which leadership has an opportunity to be truly effective.

Organizations that have circular process-based structures have the ability to achieve tremendous gains through the high level of innerconnectivity. These structures are the opposite of what organizations have looked like since the industrial revolution, but the potential is unmistakable. The interaction of processes elements provides the organizational

population the ability to learn from one another; the ability to respond quicker to needs; and the ability to become flexible and creative in the responses. The visible organizational structure (chart) encourages these factors.

The development of a circular process-based organizational structure should be examined as a way to better meet the ever-changing needs of the organization and it customers.

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James B. Rieley
Director
The Center for Continuous Quality Improvement
414.225.1205
414.225.1232 FAX

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